

STATE OF NEW JERSEY
BUREAU OF SECURITIES
P.O. Box 47029
Newark, NJ 07101
(973) 504-3600

IN THE MATTER OF:

JESUP & LAMONT SECURITIES CORP.
(CRD # 39056)

SUMMARY ORDER OF
PENALTY ASSESSMENT

Jesup & Lamont Securities Corp.
650 Fifth Avenue, 3rd Floor
New York, NY 10019

Pursuant to the authority granted to the Chief of the New Jersey Bureau of Securities ("Bureau") by the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to 76 ("Law") specifically, N.J.S.A. 49:3-58(a), and after careful review and due consideration of the facts set forth below, the Bureau Chief has determined that good cause has been shown to summarily assess civil monetary penalties.

PARTIES

1. At all relevant times herein, Jesup & Lamont Securities Corp. ("Jesup & Lamont"), with Central Registration Depository ("CRD") No. 39056, was a broker-dealer with a main office located at 650 Fifth Avenue, 3rd Floor, New York, New York, 10019.

2. Jesup & Lamont was first registered with the Bureau on August 20, 1997. The firm was originally registered as Broadmark Capital Corp., but changed its name to Jesup & Lamont on February 19, 2002.
3. On January 7, 2002, Jesup & Lamont employed Robert H. Solash (CRD #430218, hereinafter "Solash") as a representative of the firm. Solash was registered as an agent with the State of New Jersey Bureau of Securities on April 24, 2002. He was on restricted status, under a special supervisory agreement, dated April 24, 2002, with the Bureau. Solash was registered with the State of New Jersey as an agent until March 17, 2006. The CRD indicates Solash resigned from his position, effective March 17, 2006, while the firm was investigating a customer complaint.
4. During his tenure at Jesup & Lamont, Robert Solash was supervised by Michael Clements (CRD # 1702071), William Moreno (CRD #2801621), and Robert Strong (CRD #3079588).

FACTS

5. On February 7, 2002, Denise B. Sparacino ("Decedent") opened a personal brokerage account¹ ("personal account") with Jesup & Lamont, with Robert H. Solash as the broker of record/account executive. The name of record used on the

¹ This account has been dissolved and consolidated with another into an account in the name of the Estate of Denise B. Sparacino, Rita M. Sparacino as executrix. At some point since 2004, Rita M. Sparacino withdrew all of the funds from the Estate account to be held with another broker-dealer.

account at the time of opening was Denise B. Sparacino, with an address of 6 Hubbell Street, Commack, New York 11725-2009.

6. On February 11, 2002, Decedent opened a corporation brokerage account (“corporate account”) at Jesup & Lamont, with Robert H. Solash as the broker of record/account executive. The name used on the account at the time of opening was DBS Travel, Inc., with an address of 6 Hubbell Street, Commack, New York 11725-2009.
7. On August 27, 2004, Decedent passed away leaving her mother, Rita M. Sparacino (“Sparacino”), as executrix of her will.

EXECUTION OF UNAUTHORIZED TRADES

8. On October 18, 2004, Solash, aware of the decedent’s death, contacted Sparacino to discuss the DBS Travel account. During this conversation, Solash informed Sparacino of a new issue, a Nuveen Fund, which was coming to the market. Solash wanted to purchase shares in the new issue for the DBS Travel account. Solash told Sparacino that he would be sending her an Affidavit of Domicile and that he needed the tax identification number for the account. Sparacino expressed uncertainty about the proposed purchase and questioned her own power to authorize a trade at this point because her daughter’s will had not cleared probate.
9. Solash told Sparacino that she could get authority to trade in the account if she sent him a copy of the decedent’s will, which Sparacino did.²

² The will cleared probate on April 7, 2005.

10. Solash never had discretionary authority in either the personal account or the corporate account of Denise B. Sparacino.
11. At no point did Rita M. Sparacino give Solash authorization to execute any purchase or sale in or out of the personal or corporate account.
12. Following his conversation with Sparacino on October 18, 2004, Solash proceeded to execute three unauthorized trades in the DBS Travel account. Solash sold 7.039 Rochester Fund Municipal Class A shares worth \$123.82; he sold 4,463.78 Rochester Mutual Fund Municipal Class B shares worth \$72,874.98; and he sold 6,411.15 Rochester Limited Term New York Municipal Fund shares worth \$21,285.00. The total value of these trades to the account was \$94,283.80. The sells were made on October 18, 2004 and were settled on October 21, 2004. All of these trades were allowed to proceed by Jesup & Lamont despite their lack of authorization.
13. The redemption fee that Solash made on this sale was \$2,800.00, representing the back-end load on the sale of the B shares.
14. On October 22, 2004, after receiving trade confirmations for the three trades, Sparacino spoke to Robert Strong, chief compliance officer for Jesup & Lamont, alleging that the trades were not authorized and requesting that they be reversed. This request was followed by a complaint letter from Sparacino addressed to Robert Strong on October 23, 2004.

15. On October 27, 2004, the three October 18, 2004 mutual fund sales were cancelled by Jesup & Lamont.

EXECUTING TRADES WHILE NOT REGISTERED IN THE STATE OF NEW JERSEY

16. Solash began his employment with Jesup & Lamont on January 7, 2002. At that time, the firm name was Broadmark Capital Corp.
17. On April 24, 2002, Solash became registered with the Bureau, authorizing him to conduct securities business to and from the State of New Jersey. This registration was, however, subject to a special Supervisory Agreement ("Agreement") because of Solash's past disciplinary history in the securities industry. The Agreement required Jesup & Lamont to engage in heightened supervision of Solash's activities and to certify certain facts pertaining to his business. The Agreement was signed by William Moreno, Broadmark's chief executive officer, on behalf of Broadmark,³ and by Robert H. Solash. (See attached Exhibit A).
18. Article Two of the Agreement certifies that Solash, "while employed by [Jesup & Lamont], has not offered or sold securities to New Jersey residents or persons who have New Jersey addresses."
19. Prior to his registration with the Bureau, and while he was employed by Jesup & Lamont, Solash executed forty-one (41) brokerage transactions with five (5) customers having New Jersey addresses. His total gross commissions for these trades were \$13,486.62.

³ In the original agreement, the employer's name was recorded as Broadmark Capital Corp.

FAILURE TO SUPERVISE

20. Jesup & Lamont's Written Supervisory Procedures state, in pertinent part:

5.2 State Registrations

"Associated persons must be registered in the state from which they conduct business and may be required to be registered in other states where customers are domiciled..."

"The [registered representative] must obtain appropriate registration prior to any prospecting, correspondence or transactions with clients of a given state. The branch supervisor will review daily any transactions blocked from entry due to lack of registration, or any exception reports generated as a result of the [registered representative] running a transaction in a state where he or she is not registered. The supervisor will indicate on the reports what action was taken and route them to the CCO. The CCO will initial any such exception reports and retain them in the Compliance files.

"If a transaction occurs in an account for a client in a state in which the associated person is not registered, the supervisor must direct that the transaction be canceled and rebilled to a firm account. The supervisor (or other properly-licensed employee) will contact the client to confirm the transaction in question..."

"It is the firm's policy that associated persons be registered in a state if they are contacting clients or prospecting in that state. Even if no transactions are effected, the associated person must still be licensed in that state to communicate with those individuals."

21. Jesup & Lamont allowed their agent, Robert H. Solash, to conduct unregistered securities transactions in violation of their own written supervisory procedures.

22. Jesup & Lamont's Written Supervisory Procedures concerning unauthorized transactions state, in pertinent part:

10.5.2 Unauthorized Transactions

"Supervisor reviews of transactions should include identification, where possible, of unauthorized transactions."

Supervisors are encouraged to contact customers directly to confirm authorization of transactions.

23. There was no such contact following the Sparacino transaction. In fact, the only contact in this matter which indicated unauthorized trading was the contact resulting from Sparacino's vigilant review of her own account activity. Jesup & Lamont allowed Solash to execute unauthorized trades in the DBS Travel account, even though there was no one who had the power to authorize trades in the account.

COUNT I

JESUP & LAMONT FAILED TO SUPERVISE A REGISTERED AGENT
N.J.S.A. 49:3-58(a)(1); 49:3-58(a)(2)(xi)

24. The above paragraphs are incorporated by reference as though set forth verbatim herein.
25. Solash was the broker of record for the DBS Travel account. The account was non-discretionary, giving Solash no authority to trade in the account without the appropriate permission.
26. Knowing that Denise Sparacino was deceased, Solash sought permission to execute trades in the account from Rita M. Sparacino, whom he knew to be the executrix of the decedent's will. Sparacino never instructed Solash to make trades in the account.
27. Even though he did not have discretionary authority to make the trades in the account, Solash proceeded to make unauthorized sales of three securities without first consulting Sparacino.

28. Solash's act of trading in a deceased customer's account without discretionary authorization was a dishonest and unethical practice under the Law, N.J.S.A. 49:3-58(2)(vii).
29. Jesup & Lamont's failure to enforce its own Written Supervisory Procedures and allow an agent of the firm, Robert H. Solash, to engage in the sales of unregistered securities and to engage in unauthorized trading in a customer's account were failures to supervise and were grounds to deny, revoke or suspend registration pursuant to N.J.S.A. 49:3-58(a)(2)(xi), if the Bureau Chief finds it is in the public interest pursuant to N.J.S.A. 49:3-58(a)(1).
30. Each violation of the Law is a ground for a monetary penalty pursuant to N.J.S.A. 49:3-70.1.

COUNT II

JESUP & LAMONT EMPLOYED AN UNREGISTERED AGENT **N.J.S.A. 49:3-56(a)**

31. The above paragraphs are incorporated by reference as though set forth verbatim herein.
32. Solash began his employment with Jesup & Lamont on January 7, 2002.
33. Solash had a "deficient" registration status with the State of New Jersey prior to January 8, 2002.
34. On January 9, 2002, after submission of a Form U-4, Solash's registration status with the State of New Jersey was "pending."

35. On April 24, 2002, Solash was registered and allowed to conduct securities activity in New Jersey. This approval was subject to the conditions of the signed Supervisory Agreement between Jesup & Lamont, Solash and the Bureau.
36. Supervisory agreements may be required before an agent may be registered with the Bureau pursuant to N.J.A.C. 13:47A-3.1(e). As part of this Supervisory Agreement, Jesup & Lamont and Solash certified that Solash had not engaged in any securities transactions in New Jersey prior to registration.
37. Before Solash was registered with the Bureau, while acting as an agent of Jesup & Lamont, Solash executed forty-one (41) trades in five (5) New Jersey customer accounts, with the first trade executed on January 23, 2002 and the last executed March 28, 2002:
- a. Solash executed five (5) sell orders and eight (8) buy orders for the account of a customer in Fort Lee, New Jersey for total gross commissions to Solash of \$3,160.36;
 - b. Solash executed two (2) sell orders and two (2) buy orders for the account of a customer in Englewood Cliffs, New Jersey for total gross commissions to Solash of \$5,255.99;
 - c. Solash executed two (2) sell orders and three (3) buy orders for the account of another customer in Fort Lee, New Jersey for total gross commissions to Solash of \$694.02;

- d. Solash executed six (6) sell orders and eleven (11) buy orders for the account of a customer in Clifton, New Jersey for total gross commissions to Solash of \$4,073.35;
- e. Solash executed one (1) buy order and one (1) sell order for the account of a customer in Wayne, New Jersey for total gross commissions to Solash of \$302.90.
38. In total, Solash's gross commissions for the unregistered trading activity conducted during this time period were \$13,486.62.
39. There is no exemption from agent registration upon which Jesup & Lamont may have relied.
40. As Solash was not registered with the New Jersey Bureau of Securities during the time of the aforementioned trades, Jesup & Lamont employed an unregistered agent in violation of N.J.S.A. 49:3-56(a). This is a ground for assessment of a civil monetary penalty against Jesup & Lamont pursuant to N.J.S.A. 49:3-70.1.

COUNT III

**JESUP & LAMONT MADE MATERIAL FALSE OR MISLEADING
STATEMENTS FILED WITH THE BUREAU
N.J.S.A. 49:3-54**

41. The above paragraphs are incorporated by reference as though set forth verbatim herein.

42. As a condition of registration with the Bureau on April 24, 2002, Solash and Jesup & Lamont submitted to the Supervisory Agreement which required a heightened level of supervision over Solash's securities activity.
43. In Article Two of the agreement, Jesup & Lamont certified that Solash had not, while employed by Jesup & Lamont, "offered or sold securities to New Jersey residents or persons who have New Jersey addresses." This statement certified that Robert Solash had conducted no securities activity with persons in the State of New Jersey during the time period of January 7, 2002 and April 24, 2002.
44. The Agreement was signed by Solash and by William Moreno, chief executive officer of Jesup & Lamont.
45. As set forth in Count II above, Solash did, in fact, offered or sold securities to New Jersey residents while in the employ of Jesup & Lamont.
46. Jesup & Lamont's certification, filed with the Bureau and signed by William Moreno, which stated that Article Two of the Agreement was accurate was a document that contained a material false and misleading statement in violation of N.J.S.A. 49:3-54 which is a ground for the assessment of a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1.

It is therefore ORDERED that Jesup & Lamont Securities Corp. is assessed a civil monetary penalty in the amount of \$30,000.00, which shall be paid to the Bureau within thirty (30) days of the execution of this order pursuant to N.J.S.A. 49:3-70.1, based on the

violation of N.J.S.A. 49:3-58(a)(2)(xi), forty-one (41) violations of N.J.S.A. 49:3-56(a)(2)(ii) and one (1) violation of N.J.S.A. 49:3-54.

DATE:

May 1, 2006

BY:

Franklin L. Widmann

Franklin L. Widmann
Chief, Bureau of Securities

NOTICE OF RIGHT TO HEARING

You are advised that upon service of notice of this Penalty Order issued by the Bureau Chief, Jesup & Lamont shall have up to fifteen (15) days to respond to the Bureau in the form of a written answer and written request for a hearing. A request for a hearing must be accompanied by a written response, which addresses specifically each of the reasons set forth in the Order which formed the basis for its entry. A general denial is unacceptable. Within five (5) business days of receiving the written answer and request for a hearing, the Bureau Chief shall either transmit the matter to the Office of Administrative Law for a hearing, or schedule a hearing at the Bureau of Securities. At any hearing involving this matter, an individual respondent may appear on his/her own behalf or be represented by an attorney. If an applicant fails to respond by filing a written answer and request for a hearing with the Bureau within the fifteen (15) day prescribed period, the Order shall remain in effect until modified or vacated.

NOTICE OF OTHER ENFORCEMENT REMEDIES

You are advised that the Uniform Securities Law (1997) N.J.S.A. 49:3-47 et seq., provides several enforcement remedies, which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action, the right to seek and obtain injunctive and ancillary relief in a civil enforcement action, N.J.S.A. 49:3-69, and the right to seek and obtain civil penalties in an administrative or civil action, N.J.S.A. 49:3-70.1.

You are further advised that the entry of a Final Order does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you in this action.